



KEVIN PETERSEN

STATE REPRESENTATIVE

Chair Kerkman and honorable members of the Committee on Ways and Means;

Thank you for holding a hearing today on Assembly Bill 387 – relating to: a sales and use tax exemption for coins, currency, and commemorative medallions.

Under current law, all sales, licenses, leases, or rentals of tangible personal property or items, property, or goods at retail in this state are subject to the sales and use tax, unless an exemption to the contrary is established. This bill adds coins, currency, and commemorative medallions to the exemption list.

Because our state is only 1 of 20 states requiring payment of sales tax on coins, Wisconsin loses lucrative convention and tourism business generated by events hosted by the American Numismatic Association (ANA) and Central States Numismatic Society (CSNS). Wisconsin last hosted these conventions in 2007. The Visit Milwaukee bureau estimated the revenue generated from the event at \$3.4 million.

Compare the \$660,000 fiscal estimate attached to this bill to the amount of revenue we generate with tourism. As one of Wisconsin's largest industries, tourism generates an average of \$12 billion per year and returns \$1.37 billion to the state in tax revenues as well as \$621 million to local governments. Over 290 thousand full time equivalent jobs are supported through tourism.

Private businesses invest money in order to ultimately make money. Business owners consistently make decisions about advertising, equipment modernization, and so many other areas. Their decisions look to future returns. AB 387 is a small investment considering the millions of dollars the state is losing in tourism revenue from coin shows.

Furthermore, speakers who will be testifying today will be breaking down the fiscal estimate into more precise allocations, singling coins sales from stamp and jewelry sales.

Written in the fiscal estimate is: "Many of the 29 companies are "coin and stamp" or "coin and jewelry" companies and an unknown portion of the taxes paid by these companies would be for jewelry, stamps and other taxable sales." Using stamps and jewelry as part of the estimate inflates the loss incurred by the state.

Instead of running itself like a successful business, too often government decisions are made on the comparatively small amount of taxes collected instead of the revenue actualized by encouraging growth.

Wisconsin CoinCommunity Alliance

105 North Main St - Iola WI - 54945

HELP END THE UNFAIR TAXATION OF WISCONSIN SMALL BUSINESS

Wisconsin purchasers of collector coins bear an unreasonable burden of taxation. Wisconsin is one of only 20 states that charge a sales tax on small quantity purchases of collector coins.

If you buy coins in commodity contract quantities (about \$35,000 worth) – *You pay no tax.*

If you buy coins from an on-line vendor – *You pay no tax.*

If you buy coins from a store in Illinois, Iowa, or Michigan – *You pay no tax.*

Only if you buy coins locally at one of Wisconsin's 100 plus coin dealers, do you pay a tax.

We are asking you to provide a narrow exemption from the sales tax for collector coins.

Forcing out-of-state purchasing ultimately results in lost revenue for the state and for local businesses. Those who purchase other investments, like stocks, bonds, savings accounts, and mortgages, do NOT pay a sales tax on those investments.

Beneficial Effects of Passing Tax Exemption Legislation:

- 1) **Keeps businesses in state** and allows them to remain competitive on a national level. These small Main Street businesses have local employees, sell other products yielding tax revenue, help promote tourism and downtown business health, and through the multiplier effect add much to the local economy. Current policy forces many sales into our neighboring states.
- 2) **Corrects the unfair penalty on small investors.** By artificially raising the price of the commodity to incorporate the tax, small investors pay a premium which must be recouped by better than average yields. Conversely, commodity contracts in bullion/coins purchased on the Chicago Board of Trade are exempt from sales tax—but the average working person cannot afford to invest at the required minimum level of about \$35,000. Rich don't pay the tax! Only the small investors do. How is this fair?
- 3) By reducing the "forced" out-of-state purchases, (including phone and internet purchases), will reduce the exposure of consumers **to potential fraudulent marketing schemes.** Investment opportunities are generally not covered under the FTC Telemarketing Rule of 1995. Almost 75% of FTC fraud cases involved investment opportunities.
- 4) **Wisconsin is losing convention business.** The last time the American Numismatic Association was held in Milwaukee, Visit Milwaukee conservatively pegged the economic impact at \$3.5 million. These conventions will no longer be held in states that charge a sales tax on collector coins.
- 5) A fiscal analysis done for Michigan shows that even with a \$600,000 estimated loss in sales tax revenue, **tax collections to the state went up a net \$2 million with the adoption of this proposal.** After Michigan's exemption was implemented, the number of coin dealers increased by 55%, employees by 89%, sales by 362%! Talk about a Win-Win situation!!

For more information, contact Bob Welch at 608.819.0150

WISCONSIN'S 10 DISADVANTAGES IN ASSESSING SALES TAX ON RARE COIN AND BULLION SALES

- 1) Wisconsin is one of only 20 states requiring the payment of sales tax on rare coin and bullion coin sales; 30 states exempt rare coin and bullion coin sales from this investment inhibiting "penalty."
- 2) Wisconsin residents desiring to acquire rare coins and bullion coins are likely making their purchases in other states, providing support to these businesses in those other states to the detriment of businesses in Wisconsin.
- 3) Increased sales of rare coins and bullion coins in Wisconsin will directly benefit the state revenue generation because more business requires more employees, which results in increased state collection of income and other taxes.
- 4) Wisconsin customers shopping for rare coins and bullion coins at local outlets, not via telephone or e-commerce with out-of-state firms will likely make additional impulse purchases of other items available in the shop that remain taxable.
- 5) Wisconsin residents driven away from doing business in the state, as customers can fall victim to fraudulent telemarketing and e-marketing schemes, a consumer protection concern that has increased in intensity as rare coin and bullion coin values have risen.
- 6) Wealthy Wisconsin residents can invest in precious metals commodity contracts, which are not subject to sales tax; the average working person does not have the financial wherewithal and knowledge to pursue investment in these instruments.
- 7) The commodity contract minimum for gold coins investing is 25 coins (with gold at \$1,400 per ounce the cost base is \$35,000); a typical Wisconsin resident would likely purchase 5 or 10 coins (\$7,000 or \$14,000), paying a tax of \$350 or \$700, when making an investment purchase. At a 5% tax rate, that's a crushing investment surcharge of \$70 on a \$1,400 purchase.
- 8) Wisconsin loses lucrative convention/tourism business generated by events like those of the American Numismatic Association and the Central States Numismatic Society, which Milwaukee has hosted frequently in the past, to states like Illinois with rare coin and bullion coin sales tax exemptions. Sponsoring organizations having become tax adverse in response to marketplace demands and needs. Various Visitor and Convention Bureaus have documented the impact of these events to range from \$3 to \$5 million each; the Visit Milwaukee bureau conservatively pegged the figure at \$3.457 million when the ANA met in Milwaukee in 2007. The ANA convenes in the Chicago area in 2011 and 2013-15, the CSNS annually this year through 2016.
- 9) Wisconsin is flanked by three states which exempt rare coin and bullion coin sales from sales tax assessments, they being Illinois, Iowa and Michigan; in the border regions the purveyors of these investment vehicles aggressively market to Wisconsin's residents.
- 10) Wisconsin residents are disadvantaged in diversifying their IRA and other self-directed retirement plans with rare coins and bullion coins, which are approved by the Internal Revenue Service as investment vehicles just as are stocks and bonds.

A CASE STUDY OF POSITIVE RESULTS FROM JULY 7, 1999, IMPLEMENTATION OF SALES TAX EXEMPTION ON PRECIOUS METALS BULLION AND RATE COINS IN MICHIGAN THROUGH 2008

<u>Business Activity Categories</u>	<u>1999</u>	<u>2008</u>	<u>Change</u>
Number of Coin Dealers	210	325	+ 55%
Number of Employees at Dealerships	450	850	+ 89%
Annual Wholesale and Retail Sales by Dealers	\$54 million	\$250 million	+ 362%

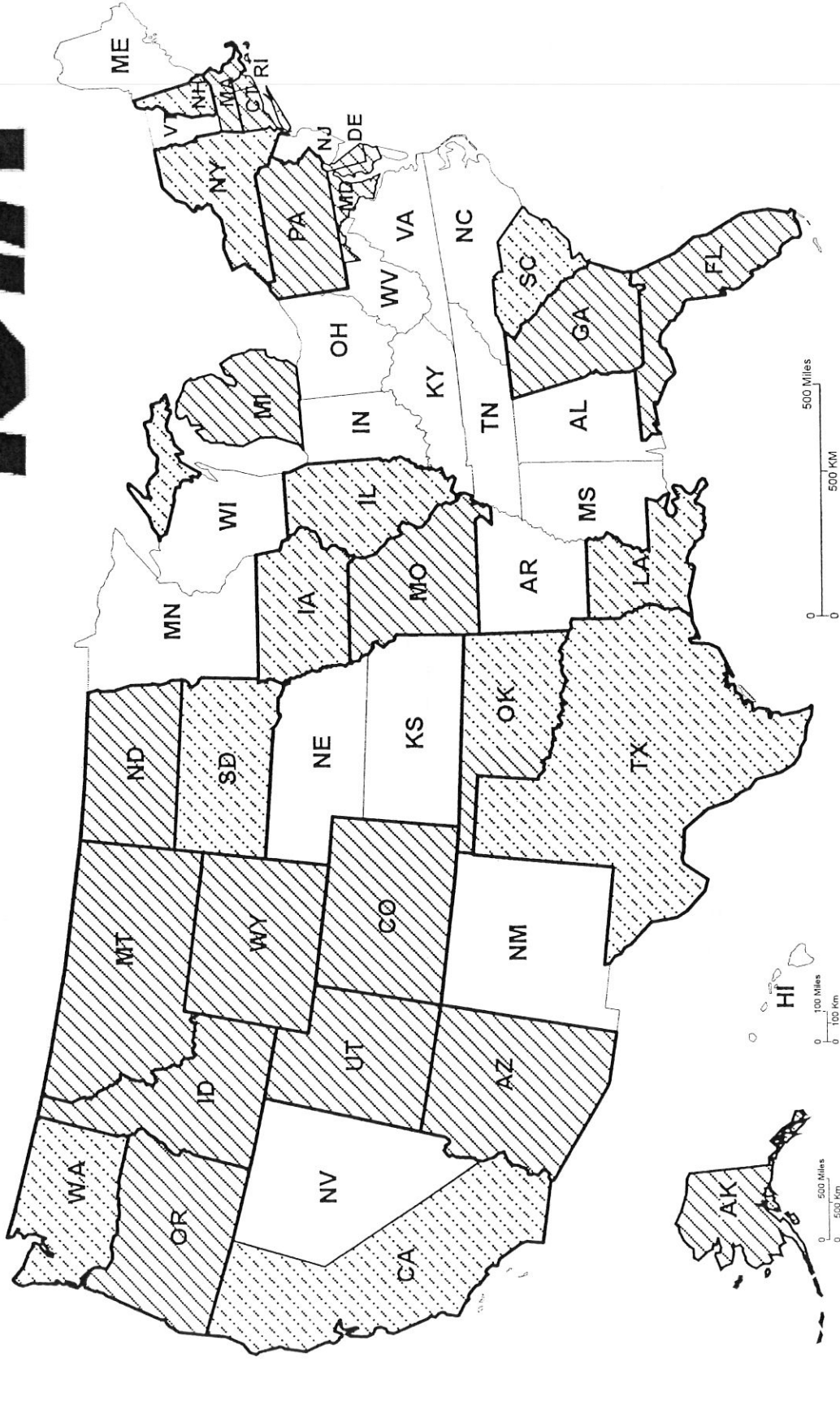
Net Tax Collection Change Implications from 1999 to 2008

Estimate of forsaken sales taxes on rare and precious metal bullion coin sales	(\$ 600,000)
Increased sales taxes from non-exempt merchandise sold by coin dealers	\$1,470,000
Increased sales taxes from increased hospitality industry revenues as a consequence of increased number of and attendance at coin shows	\$ 500,000
Additional sales taxes resulting from increased coin industry employment	\$ 231,000
Total Increase In Sales Tax Collections	\$1,061,000 +
Increased single business tax collections from coin industry businesses	\$ 117,600
Increased single business tax collections from additional volume of activity by financial institutions, hotels, restaurants, etc.	\$ 0 +
Total Increase in Single Business Tax Collections	\$ 117,600 +
Increased individual income taxes from increased coin industry employment	\$ 326,250
Increased income taxes from increased employment by financial institutions, hotels, restaurants, etc.	\$ 0 +
Total increase in Individual Income Tax Collections	\$ 326,250 +
Net Increased Total Tax Collections	\$ 2,044,850 +

This case study was prepared by Patrick A. Heller, president of Liberty Coin Service in Lansing, Michigan, an accredited Certified Public Accountant. Having reviewed the conservative methodology employed in conducting this study, the Michigan Treasury and analysts for both the House and Senate fiscal agencies accepted the validity of the research and have reported tax implications in line with the resulting calculations.

It should be noted that in addition to the figures presented not including single business and income tax collection calculations for financial institution, hotel, restaurant, etc., businesses with respect to related activities, as indicated, neither do they include calculations for increased local income tax and property tax collections which may have resulted.

A detailed description of the data sources and methodology employed for this case study is available upon request.



30 States have no state sales/use tax at all or have some form of state sales/use tax exemption for collector coins, bullion coins, and/or other forms of bullion.

ICTA is currently assisting sales tax exemption efforts in 5 additional states.

As of March 4, 2011



State Sales Tax Exemptions As of March, 2011

Currently, 30 states have some form of an exemption for rare coin & precious metals products.

Unless otherwise noted, exemptions carry a zero dollar *de minimus*.

*Indicates tax exemption efforts underway.

State name in *italics* indicates collectible currency also sales tax-exempt.

State	State Sales Tax Rate % ¹	Collector Coins	Bullion Coins	Bullion
ALABAMA	4	Taxed	Taxed	Taxed
ALASKA	None			
ARIZONA	5.6	Exempt	Exempt	Exempt²
ARKANSAS	6	Taxed	Taxed	Taxed
CALIFORNIA	8.25	Exempt⁷	Exempt⁷	Exempt⁷
COLORADO	2.9	Exempt	Exempt	Exempt
CONNECTICUT	6	Exempt	Exempt³	Exempt³
DELAWARE	None			
<i>FLORIDA⁶</i>	6	Exempt⁵	Exempt⁵	Exempt⁵
<i>GEORGIA⁶</i>	4	Exempt	Exempt	Exempt
HAWAII	4	Taxed	Taxed	Taxed
IDAHO	6	Exempt²	Exempt²	Exempt²
ILLINOIS	6.25	Exempt	Exempt	Exempt
INDIANA*	7	Taxed	Taxed	Taxed
<i>IOWA⁶</i>	6	Exempt	Exempt	Exempt
KANSAS*	6.3	Taxed	Taxed	Taxed
KENTUCKY	6	Taxed	Taxed	Taxed
LOUISIANA	4	Exempt³	Exempt³	Exempt³
MAINE	5	Taxed	Taxed	Taxed
MARYLAND⁴	6	Exempt³	Exempt³	Exempt³
MASSACHUSETTS	6.25	Exempt³	Exempt³	Exempt³
MICHIGAN	6	Exempt	Exempt	Exempt
MINNESOTA	6.875	Taxed	Taxed	Taxed
MISSISSIPPI	7	Taxed	Taxed	Taxed
MISSOURI	4.225	Exempt	Exempt	Exempt
<i>MONTANA</i>	None			
NEBRASKA	5.5	Taxed	Taxed	Taxed
NEVADA	6.85	Taxed	Taxed	Taxed
NEW HAMPSHIRE	None			
NEW JERSEY	7	Taxed	Taxed	Taxed

NEW MEXICO*	5	Taxed	Taxed	Taxed
NEW YORK⁴	4	Taxed	Exempt³	Exempt³
NORTH CAROLINA	5.75	Taxed	Taxed	Taxed
NORTH DAKOTA⁶	5	Exempt	Exempt	Taxed
OHIO	5.5	Taxed	Taxed	Taxed
OKLAHOMA	4.5	Taxed	See Note 8	See Note 8
OREGON	None			
PENNSYLVANIA	6	Exempt	Exempt	Exempt
RHODE ISLAND	7	Exempt	Exempt	Exempt
SOUTH CAROLINA⁶	6	Exempt	Exempt	Exempt
SOUTH DAKOTA	4	Exempt	Exempt	Exempt
TENNESSEE	7	Taxed	Taxed	Taxed
TEXAS	6.25	Exempt³	Exempt³	Exempt³
UTAH	4.75	Exempt	Exempt	Exempt
VERMONT	6	Taxed	Taxed	Taxed
VIRGINIA*	5	Taxed	Taxed	Taxed
WASHINGTON	6.5	Exempt	Exempt	Exempt
WEST VIRGINIA	6	Taxed	Taxed	Taxed
WISCONSIN*	5	Taxed	Taxed	Taxed
WYOMING	4	Exempt	Exempt	Exempt
DIST. OF COLUMBIA	6	Taxed	Taxed	Taxed

(1) Figures for the state sales tax do **not** include any local taxes. Source: Federation of Tax Administrators (www.taxadmin.org)

(2) Bullion for use in jewelry and works of art is **not** exempt.

(3) Exemption applies only to sales of \$1,000 or more.

(4) To be considered a wholesale transaction, dealers must have a special license in these states. A home state resale certificate will **not** be recognized by these states. Other states may have this provision as well, but only Maryland and New York have come to ICTA's attention.

(5) In Florida, there is **no** sales tax on US coins. On foreign coins and bullion bars, once the sale reaches \$500 or more, there is no sales tax on the transaction, including the first \$500.

(6) Collector currency also exempt.

(7) After January 1, 2009, exemption applies only to sales of \$1,500 or more; until January 1, 2009, exemption applies only to sales of \$1,000 or more.

(8) The OK law allows a very limited exemption that applies only to precious metals bullion products. The law states: "To qualify for the exemption, the gold, silver, platinum, palladium or other bullion items must be stored within a recognized depository facility."

NOTE: Under certain circumstances, delivery of merchandise to an out-of-state-destination may release the dealer (vendor) from a sales/use tax collection obligation. However, depending on the sales/use tax laws in the destination state, the recipient (customer) may be liable for the payment of use tax.

The information contained herein is for information purposes only and has been compiled from sources deemed reliable. However, changes in sales tax rates and exemptions may change without notice, and you should not rely solely on this data. ICTA cannot be held responsible for any errors, either typographical or in fact.

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Liberty Coin Service

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Phone (517) 351-4720
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Email path@libertycoinservice.com

February 20, 2009

Diane Piret, Legislative Affairs Director
Industry Council for Tangible Assets
PO Box 1365
Severna Park, MD 21146

Dear Ms Piret:

At your request, I have tried to quantify the impact of Michigan's sales and use tax exemption on the retail sale of precious metals bullion and rare coins that took effect on July 7, 1999 in terms of current Michigan Treasury tax collections.

I am a coin dealer who formerly was in public practice as a CPA. When this exemption was under consideration by the Michigan legislature, neither the Michigan Department of Treasury nor the legislative fiscal agencies were able to quantify the amount of tax collections attributable to the retail sale of precious metals bullion and rare coins because dealers in such items typically sell a high volume of other goods. Through the use of industry surveys, Dun & Bradstreet data, and reference to my own company's tax collections, I was able to calculate the approximate amount of sales tax collections that would have been lost if this exemption were enacted. After reviewing my methodology, the Michigan Treasury and analysts for both the House and Senate fiscal agencies accepted my research and reported tax implications in line with my calculation.

I have used this same information to estimate the change from 1999 to 2008 for Michigan tax collections

The following information is conservatively figured so that any variance would result in higher net Treasury collections.

Since the Michigan sales and use tax exemption took effect on July 7, 1999:

Increase in number of coin businesses in Michigan: 115

Increase in number of jobs in Michigan: 400

Net Increase in annual Michigan Treasury tax collections: \$2,044,000 or more

Here is the breakdown of the components making up these numbers, followed by an explanation of the methodology used to derive this information.

<i>Category</i>	<i>1999</i>	<i>2008</i>
Number of coin dealers (note: all analyses exclude internet only "dealers")	210	325
Number of employees	450	850
Annual wholesale and retail sales by coin dealers	\$54 million	\$250 million

Michigan tax impact from enacting exemption	Net change from 1999
1. Forsaken sales taxes on rare coins and precious metals bullion (estimated)	(\$600,000)
2. Increased sales taxes from increased sales of merchandise sold by coin dealers that is not exempt from sales tax	\$1,470,000
3. Increased sales taxes from increased hospitality industry revenues from increase in coin shows in Michigan	\$500,000
4. Additional sales taxes from increased coin industry employment	\$231,000
Total Increase In Sales Tax Collections	\$1,601,000
5. Increased Single Business tax collections from coin industry	\$117,600
6. Increased Single Business tax collections from additional volume by financial institutions, hotels, restaurants, etc.	\$0+
Total Increase in Single Business Tax Collections	\$117,600+
7. Increased individual income taxes from increased coin industry employment	\$326,250
8. Increased income taxes from increased employment by financial institutions, hotels, restaurants, etc.	\$0+
Total Increase In Individual Income Tax Collections	\$326,250+
Net Increased Total Tax Collections	\$2,044,850+

As you can see, on a conservative basis Michigan sales tax collections have increased because of this exemption! Other Michigan Treasury tax collections have also increased. These figures do not include figures for increases in local income tax and property tax collections.

This analysis is derived from actual data, which generally matches what has occurred in the other 29 states that have enacted similar exemptions or have no sales tax at all.

The documentation for expected increased sales and other replacement taxes was compelling enough that even the Michigan Education Association did not oppose enactment of this sales tax exemption in 1999, which was significant because 72% of all sales and use taxes collected are dedicated to the state Education budget!

Here is a quick summary of how different “interests” benefited by the enactment of the precious metals bullion and rare coin sales and use tax exemption:

- Michigan’s economy--made Michigan competitive with Illinois, California, New York, Texas, Florida, Pennsylvania, Missouri, and over 20 other states; Michigan’s economy was stimulated.
- Michigan coin dealers--there have been completely new businesses started and a number of existing companies have added to the product lines by becoming coin dealers. Sales by Michigan dealers have soared and employment has increased.

- Michigan job seekers--increased opportunities with the addition of at least 400 new jobs so far and the trend appears likely to continue in the future.
- Public education--a net increase in formula funding because of the higher sales tax collections.
- Overall Michigan Treasury collections--a net increase of more than \$2 million annually.
- The average Michigan investor and collector--they are no longer be penalized for being Michigan residents and for wanting to invest their money with Michigan businesses. They are no longer forced to transact their business with non-Michigan businesses and store their merchandise out of state to avoid Michigan sales tax.
- Affluent Michigan investors and collectors—they have not derived much economic benefit from the exemption as they already transacted their business in tax-exempt states with relative ease. However, they now enjoy the convenience of dealing with companies in Michigan.
- Michigan hotels, restaurants, airlines, ground transportation services, and the like--increased volume from out-of-state dealers and visitors attending coin shows and more Michigan coin dealers taking booths at Michigan coin shows rather than setting up booths at states with sales tax exemptions.
- Michigan banks, credit unions, and other financial institutions--increased volume from providing precious metals IRAs to Michigan investors and more safe deposit box rentals.
- Other Michigan Businesses—since 1999, our company has tripled the amount we spend on advertising in Michigan as well as increasing our purchases of machinery and furniture and supplies from Michigan businesses. The analysis does not include any benefit to the Michigan Treasury caused by this increased volume by other Michigan businesses.

Thank you for your request. The current rare coins and precious metals sales and use tax exemption represents a win-win-win situation for Michigan's economy--businesses, employees, investors and collectors, and the State Treasury.

Sincerely,

Patrick A. Heller, CPA
President
Liberty Coin Service

Addendum #1 Sources of data for generating the analyses in the table includes:

1. Dun and Bradstreet reports.
2. Published research from the Michigan Department of Treasury.
3. Industry Council for Tangible Assets (ICTA) surveys on the long-term effects on coin industry sales tax collections.
4. Florida ICTA (with the assistance of the Orange County Convention and Visitors Bureau) March 1997 survey of job losses and convention closings in Florida after that state eliminated its sales tax exemption on rare coins and precious metals bullion in 1991.
5. Detailed analysis of Liberty Coin Service's sales and employment activities. According to Dun and Bradstreet, my company accounts for approximately 15% of sales of the Michigan industry.

Addendum #2 Methodology for deriving the numbers in the table:

1. Sales tax collections on rare coins and precious metals bullion—derived from a 1996 survey of Michigan coin dealers and other surveys in Ohio and Kentucky. Extrapolations from the analyses in the other two states fall right in line. As this company is highly concentrated on selling rare coins and precious metals bullion, instead of the industry norm of only 50% of total sales coming from rare coins and precious metals bullion, this company formerly accounted for 20-25% of all sales taxes collected on such sales in Michigan (this company collected just under \$47,500 in sales tax on all sales in 1997). Note: most precious metals bullion and rare

coin sales are conducted on a wholesale basis, which would were never subject to sales tax and would remain exempt even if the exemption were revoked.

2. Increased number of coin dealers in Michigan—during the effort resulting in the original exemption, my company aggressively sought to identify all Michigan dealers. We had a list of 210 in mid-1999. This list has not been kept up aggressively, but has since grown to 325. We are aware that different Yellow Pages listings have coin dealers who are not on our list, but we have not gone to the effort to track them all down. Of the new coin dealers, it seems that approximately half are completely new companies and the other half are pre-existing companies that expanded into rare coins and precious metals bullion.
3. Increased employment in the coin industry—my company has grown from 6 to 20 employees since the exemption took effect. Another dealer near Kalamazoo has grown from 6 to 16 employees. Several smaller dealers have added staff. We calculated the employment increase as follows: increased employment at existing coin dealers at 1.2 full-time equivalent (FTE) jobs per business ($210 \times 1.2 = 252$), 1.2 FTE jobs from existing companies expanding into coins and bullion ($57.5 \times 1.2 = 69$), 2.4 FTE jobs from completely new companies ($57.5 \times 2.4 = 138$). This totals 459 new employees, but it is rounded down to 400 to be conservative. Anecdotally, I suspect there are more than 500 new jobs in Michigan, but have used the lower number to be extra conservative.
4. Increased coin industry sales—my company's sales have grown 496% since 1997, the last year of normal operations (i.e. not affected by Y2K demand). Using only a 200% figure for existing businesses, coupled with a greater number of businesses, results in approximately a 363% increase in total industry sales. *The nature of my company's sales has also changed. In the late 1990s, our Michigan retail sales only accounted for 7% of total company volume. Last year, our Michigan retail sales made up over 21% of total volume! While our Out Of State Sales increased by 479% from 1997 to 2008, our Michigan Retail Sales increased 890%, and our Michigan wholesale sales increased 258%. While the coin industry in general has prospered in the past nine years, it is evident that the exemption has resulted in much stronger growth in Michigan sales than for sales out of state.*
5. Increased sales taxes from increased sales of merchandise not exempted—surveys in Ohio and Kentucky both found that approximately 50% of sales by coin dealerships are of merchandise not affected by the coin and bullion tax exemptions. The main forms of taxable merchandise sold by coin dealers is jewelry, antiques, sports cards, hobby supplies, and other collectibles. In the March 1998 ICTA survey of Ohio coin dealers, it was found that Ohio coin dealers collected 80% more sales tax in 1997 than they did in 1989 (the year that Ohio adopted its coin and bullion exemption). The increased sales tax collections assume that 50% of the industry sales increase of \$196 million since 1999 has been for merchandise that is subject to sales tax. To be conservative, we then cut that figure by 75% to account for wholesale activity ($\$196 \text{ million} \times 50\% = \$98 \text{ million} \times 25\% = \$24.5 \text{ million} \times 6\% = \$1,470,000$) just to be ultra conservative.
6. Increased sales taxes from hotels, restaurants, etc. from increased coin show attendance—A survey by Florida ICTA and the Orange County (Florida) Convention and Visitors Bureau, conservatively estimated that the state of Florida had lost \$60 million in annual taxable sales by the hospitality industry and other merchants after the Florida exemption was revoked in 1991. Michigan also was losing national and regional coin shows as organizations adopted policies of awarding future shows only in states with rare coins and precious metals bullion tax exemptions. Also, Michigan coin dealers were traveling out of state to take booths at coin shows in exempt states. Since Michigan adopted its exemption in 1999 it has hosted two Central States Numismatic Society (CSNS) Fall Conventions. These conventions easily bring a \$5 million in taxable sales by the hospitality and other industries by themselves (\$300,000 in sales taxes). When Detroit again hosts the annual American Numismatic Association (ANA) convention, that would contribute \$12-15 million to the local economy. Another major benefit is that more Michigan dealers are attending coin shows in-state and more non-Michigan dealers and collectors are coming to shows in Michigan than before—plus there are more coin shows in Michigan! These total annual tax collections have been conservatively figured.
7. Additional sales taxes from increased industry employment—Michigan Department of Treasury research found that taxable sales in Michigan equal 38.5% of payroll increases. Using a conservative jobs increase and a conservative compensation level yields a conservative increase in sales tax collections ($400 \text{ jobs} \times \$25,000 \times 38.5\% \times 6\% = \$231,000$).

8. Increased Single Business and Michigan Business Tax collections from the coin industry—this company's effective Single Business Tax rate used to be roughly 0.1% to 0.12% of sales. Under the Michigan Business Tax, the effective rate is about 0.08% of sales. To be conservative, we have used the conservative sale increase of \$196 million multiplied by only 0.06%.
9. Increased Single Business Tax and Individual Income Tax collections from other industries—with the hospitality and other industries enjoying higher sales volume because of increase Michigan coin show attendance, both of these tax collections would increase. However, to be extra conservative in this analysis, I have assumed no tax benefits from these categories.
10. Increased Individual Income Taxes from the coin industry—the payroll increase is figured conservatively at 400 jobs times \$25,000 times 4.35 effective tax rate, then decreasing that by 25%.

Addendum #3 Indicators of the negative consequences of the loss of the rare coin and precious metals bullion sales tax exemption

On May 1, 1994, the Michigan sales tax rate increased from 4% to 6%. I documented that total Michigan Treasury sales and use tax collections from the coin industry decreased even though the tax rate increased by 50%. Several businesses closed or moved to exempt states, attendance at coin shows declined, and Michigan jobs were lost.

As mentioned above, when Florida temporarily revoked its rare coin and precious metals bullion sales and use tax exemption, sales and other tax collections by coin dealers and the hospitality industry plummeted. The losses were so large that Florida reinstated the exemption in 1999.

Ohio revoked its rare coin and precious metals bullion sales and use tax exemption on July 1, 2005. The weekly newspaper *Coin World* documented that within six months at least 100 coin dealerships in Ohio had either closed or reduced staffing levels.

SALES TAX EXEMPTION INITIATIVE FOR NUMISMATIC ITEMS

Legislation has been introduced in the Wisconsin legislature (Assembly Bill AB-387), the provisions of which provide:

The sales price from the sale of and the storage, use, or other consumption of coins, currency, (or) commemorative medallions of the United States, or any other sovereign government, that are made from gold, silver, platinum, or palladium, or any combination of such metals (will be exempted from sales and use tax).

In advancing the Wisconsin Coin Collecting Alliance's case for the enactment of this legislation, the Wisconsin Department of Revenue has requested that we provide the agency with a fiscal justification for the requested action.

It would be helpful if you could provide answers to the following questions with respect to the sales transaction volume you realized during the calendar year 2011.

In gathering this information we would be treating the information provided on a highly confidential basis. In advancing financial figures to the Wisconsin Department of Revenue, we would do so on a consolidated basis, or if individual examples were advanced, the name and location of the business, along with the "Form Completed" signature would be redacted.

Your understanding and cooperation in completing this form and returning it to me at the earliest opportunity will be appreciated:

- 1) Name of Business: [REDACTED]
- 2) Business Location: [REDACTED]
- 3) Total Sales During Calendar Year 2011 (state in dollars): \$5,592,750.09
- 4) Percentage of Sales this Bill Would Have Exempted from Sales Tax: 5%
- 5) Estimated Sales Lost Because Tax is Imposed (state in dollars): \$1-2 MILLION
- 6) This Form Completed by (signature): [REDACTED]

Please complete and mail this form to:

WISCONSIN COIN COLLECTING ALLIANCE
c/o Clifford Mishler
P. O. Box 316
Iola, WI 54945-0316

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Your understanding and cooperation in completing this form and returning it to me at the earliest opportunity will be appreciated:

- 1) Name of Business: [REDACTED]
- 2) Business Location: [REDACTED]
- 3) Total Sales During Calendar Year 2011 (state in dollars): \$3.3 million
- 4) Percentage of Sales this Bill Would Have Exempted from Sales Tax: 12%
- 5) Estimated Sales Lost Because Tax is Imposed (state in dollars): OVER
- 6) This Form Completed by (signature): [REDACTED]

Please complete and mail this form to:

WISCONSIN COIN COLLECTING ALLIANCE
c/o Clifford Mishler
P. O. Box 316
Iola, WI 54945-0316

SALES TAX EXEMPTION INITIATIVE FOR NUMISMATIC ITEMS

Legislation has been introduced in the Wisconsin legislature (Assembly Bill AB-387), the provisions of which provide:

The sales price from the sale of and the storage, use, or other consumption of coins, currency, (or) commemorative medallions of the United States, or any other sovereign government, that are made from gold, silver, platinum, or palladium, or any combination of such metals (will be exempted from sales and use tax).

In advancing the Wisconsin Coin Collecting Alliance's case for the enactment of this legislation, the Wisconsin Department of Revenue has requested that we provide the agency with a fiscal justification for the requested action.

It would be helpful if you could provide answers to the following questions with respect to the sales transaction volume you realized during the calendar year 2011.

In gathering this information we would be treating the information provided on a highly confidential basis. In advancing financial figures to the Wisconsin Department of Revenue, we would do so on a consolidated basis, or if individual examples were advanced, the name and location of the business, along with the "Form Completed" signature would be redacted.

Your understanding and cooperation in completing this form and returning it to me at the earliest opportunity will be appreciated:

- 1) Name of Business: [REDACTED]
- 2) Business Location: [REDACTED]
- 3) Total Sales During Calendar Year 2011 (state in dollars): \$ 4,491,422.00
- 4) Percentage of Sales this Bill Would Have Exempted from Sales Tax: \$ 672,754.21 (15%)
- 5) Estimated Sales Lost Because Tax is Imposed (state in dollars): millions (\$2,750,000.00)
- 6) This Form Completed by (signature): [REDACTED]

Please complete and mail this form to:

WISCONSIN COIN COLLECTING ALLIANCE
c/o Clifford Mishler
P. O. Box 316
Iola, WI 54945-0316

As you have already heard, the issue before us is all about money. It is about creating a business friendly climate that will allow the coin business in Wisconsin to become competitive in our mid-west market place and in return generate more revenue for the state. We are currently becoming an island surrounded by states with the welcome mat out to Wisconsin consumers and Wisconsin dollars.

Over the last few years the sales tax burden has changed the very nature of the coin business in Wisconsin. With a public consistently refusing to purchase in a market that automatically makes any product they choose 5% more expensive than neighboring areas, a number of changes have occurred.

Rather than face the constant barrage of complaints from retail customers, and unwilling to break the law, many dealers have turned to wholesaling their products in the state rather than face a hostile retail public. The major result of this redirection is selling products for less than a 1% mark up instead of the 5% to 15% that would come with a retail sale.

	<u>\$20.00 Gold Piece</u>
Example:	Price \$1820 ⁰⁰
	my Profit 20 ⁰⁰
	Sales Tx 99 ⁰⁰

Our customers increasingly turn to electronic market places or the ever growing number of coin shows in the surrounding states where no taxes are collected. There is also a booming underground marketplace where again Wisconsin's coin dealers can not compete. *AND THE STATE RECEIVES ZERO REVENUE.*

In an effort to keep from completely losing a customer or regular client, many dealers have resorted to making referrals to dealers in Ill. or Iowa. This strategy is especially important when large sales to investors or banks wishing to put precious metals into their client's trust accounts are at stake. Unable to make the sale the hope is to get a referral fee from the out of state dealer.

Referrals have become more and more important to me as my business as customers seek out better opportunities. I have kept a log of referral I made in the last 15 months. My former customers purchased \$1.1 million from one Chicago dealer and \$157,000 from an Iowa dealer. For these referrals I received commissions totaling \$1325.00 Had I been able to sell the products directly in a competitive market, my profit would have been \$52,400.00, for which I would have gladly paid Wisconsin income tax on.

I am not the only Wisconsin dealer who has resorted to referrals to preserve some of their market share.

Yesterday I called 11 dealers from around the state.

We rounded numbers off to make the math easier but had no trouble coming up with referrals totaling \$6.4 million.

AS NOTED EARLIER TRADE SHOW STAY away from Wis,

The loss of trade shows to neighboring states is even more staggering. A trade ^{ICTA} organization recently estimated an ANA national show generated 14,000 room nights, 37,000 meals and an unknown amount of alcohol sales. The loss in revenue to the state from the sales tax collections pales in comparison.

